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R 010004Z MAR 75

FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI

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E.O. 11652: DECONTROL AFTER ONE YEAR

TAGS: EAID, IN

SUBJECT: PL 480 NEGOTIATIONS -- STATUS REPORT

REF: STATE 40278

1. SUMMARY: MARATHON NEGOTIATING SESSION HELD FEBRUARY 24 ENDED INCONCLUSIVELY. ISSUES REMAINING INCLUDE USES OF AND REPORTING ON SALES PROCEEDS AND LANGUAGE RELATING TO SOVIET WHEAT LOAN REPAYMENT. GOI POSITIONS ON ALL ISSUES AS REFLECTED IN REFTEL. END SUMMARY.

2. FIFTH PL-480 NEGOTIATING SESSION HELD FEBRUARY 24.
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ATTENDING FROM INDIAN EMBASSY WERE ECONOMIC MINISTER

RAMAKRISHNA AND CHIEF OF INDIAN SUPPLY MISSION AGARWAL.
DETAILED RECORD OF MEETING WAS FAST-POUCHED TO
EMBASSY FEBRUARY 26.

3. SALES PROCEEDS: LOAN INTEREST RATES AND REPORTING
REQUIREMENT - GOI CONTINUES TO OBJECT TO CERTAIN REPORTING
ON SALES PROCEEDS REQUIRED IN ART. II (F) OF DRAFT
AGREEMENT AS WELL AS LANGUAGE ON LOANS TO PRIVATE SECTOR
AND NON-GOVERNMENTAL ORGANIZATIONS USING SALES PROCEEDS.
U.S. SIDE OFFERED VARIOUS FORMULAE TO RESOLVE IMPASSE,

INCLUDING AGREEMENT TO AGREE LATER ON FORM AND SUBSTANCE
OF REPORTING, WITHOUT SUCCESS. INDIAN RATIONALE WAS
THAT BOTH REQUIREMENTS IMPLIED U.S. CONTROL OVER
"COUNTERPART" FUNDS. INDIANS ASSERTED THAT USG ONLY
NEEDED INFORMATION ON TOTAL INDIAN DEVELOPMENT EFFORT,
THAT THIS INFORMATION WAS CONTAINED IN ANNUAL PLAN AND
BUDGET, AND THAT THE EMBASSY WOULD BE PLEASED TO TRANS-
MIT COPY OF BOTH DOCUMENTS EACH YEAR. HE ASSURED US
SALES PROCEEDS WOULD BE USED AS PART OF TOTAL RESOURCES
DEVOTED TO AGRICULTURE AND ECONOMIC DEVELOPMENT, BUT
WOULD NOT AGREE TO ATTRIBUTE USE OF PROCEEDS BY
SPECIFIC SECTOR. IT WAS POINTED OUT THAT USG WAS NOT
TRYING CONTROL USE OF PROCEEDS BUT NEEDED INFO ON
UTILIZATION. WHEN U.S. SIDE EMPHASIZED GOI PROPOSAL RE
PROCEEDS WAS INADEQUATE FOR OUR NEED AS WELL AS TO
ADVISE CONGRESS, RAMAKRISHNA AGREED REQUEST FURTHER
GUIDANCE ON REPORTING ISSUE FROM GOI. IN TURN, U.S.
SIDE OFFERED ATTEMPT REDRAFT SUBSECTION 3 AND 4 OF
PROPOSED AGREED MINUTES IN FURTHER EFFORT MEET INDIAN
CONCERNS.

4. SOVIET WHEAT LOAN REPAYMENT PROBLEM - RAMAKRISHNA
PROPOSED CHANGES IN LANGUAGE OF AGREED MINUTES AS OUT-
LINED PARA 2A REFTTEL. U.S. SIDE ADVISED HIM WE NEEDED
FIRMER ASSURANCES THAT GOI WOULD NOT REPAY LOAN IN KIND
DURING SUPPLY PERIODS (INCLUDING UTILIZATION) COVERED
IN PROPOSED AGREEMENT. U.S. SIDE ACCEPTED INDIAN
PROPOSAL TO DELETE REFERENCE TO DATE IN AGREED MINUTES
WHEN SOVIET OBLIGATION FELL DUE AND DID NOT PRECLUDE
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POSSIBILITY THAT REPAYMENT MAY FALL DUE DURING FY 76.
WHEN ASKED SPECIFICALLY WHAT MONTH REPAYMENT FELL DUE,
HE STATED HE WOULD HAVE TO CONSULT WITH HIS GOVERNMENT.

5. LIMITATION ON INDIAN EXPORTS OF BASMATI RICE - U.S.
SIDE OFFERED 20,000 TON LIMITATION (PERMISSIBLE EXPORT
LEVEL) UNDER ITEM IV OF PART II ON INDIAN EXPORTS OF
BASMATI RICE. IF INDIA HAD ALREADY EXCEEDED THIS, NO

FURTHER EXPORTS WOULD BE PERMITTED UNTIL JULY 1, 1975. RAMAKRISHAN DID NOT KNOW WHETHER THIS WOULD BE ACCEPTABLE, BUT AGREED TO TRANSMIT POSITION TO GOI. WE EXPLAINED THIS FIGURE BASED ON AVERAGE EXPORTS OF THIS TYPE OF RICE FROM INDIA OVER PAST FIVE YEARS. (ACTUAL MATHEMATICAL AVERAGE WAS JUST UNDER 17,000 TONS.) OTHER TYPES OF RICE EXCLUDED FROM EXPORT.

6. TERMINATION CLAUSE - U.S. SIDE AGREED TO DELETION PARAGRAPH 3E OF AGREED MINUTES (TERMINATION CLAUSE). WE THUS REVERT TO ORIGINAL LANGUAGE OF STANDARD AGREEMENT.

7. FURTHER ACTION - U.S. CHAIRMAN SUMMARIZED MEETING BY NOTING THE FOLLOWING:

A) THE INDIAN EMBASSY WILL UNDERTAKE TO REQUEST GOI CLEARANCE FOR OUR LANGUAGE ON THE SOVIET WHEAT REPAYMENT PROBLEM, THE RELEVANT PARAGRAPH OF WHICH NOW READS "BOTH SIDES NOTED THAT THE ISSUE OF SUCH REPAYMENT IN KIND DOES NOT ARISE DURING THE U.S. FISCAL YEARS WITHIN WHICH WHEAT WILL BE IMPORTED OR UTILIZED UNDER THIS AGREEMENT".

B) THE INDIAN EMBASSY WOULD UNDERTAKE TO ASK FOR FURTHER GUIDANCE FROM NEW DELHI ON THE HANDLING AND REPORTING OF SALES PROCEEDS, WHILE U.S. SIDE WOULD ATTEMPT REDRAFT SUBSECTION 3 AND 4 OF PARA 3D OF PROPOSED AGREED MINUTES AND TO REVIEW ITS POSITION ON LANGUAGE RE LOANS AND INTEREST RATES (UTILIZING SALES PROCEEDS) THAT WOULD BE MADE AVAILABLE TO PRIVATE SECTOR AND NON-GOVERNMENTAL ORGANIZATIONS BY GOI.

C) INDIANS WILL CONSIDER PROPOSAL FOR LIMITATION LIMITED OFFICIAL USE

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(PERMISSIBLE EXPORT LEVEL) OF INDIAN EXPORTS OF BASMATI RICE TO 20,000 TONS. IF LIMIT ALREADY EXCEEDED, NO FURTHER EXPORTS WOULD BE PERMITTED UNTIL JULY 1, 1975.

D) TERMINATION CLAUSE LANGUAGE IN AGREED MINUTES WAS DELETED.

8. RAMAKRISHNA NOTED INDIAN EMBASSY HAD HEARD AND ACCORDINGLY INFORMED NEW DELHI, THAT 1 MILLION METRIC TONS OF FOODGRAINS WOULD BE ALLOCATED TO INDIA FOR FY 75. HE ASKED FOR CONFIRMATION. U.S. SIDE SAID THAT AT THIS TIME WE HAD AUTHORITY TO NEGOTIATE ONLY 3 HUNDRED THOUSAND MT OF WHEAT. RAMAKRISHNA ASKED WHAT U.S. GOVERNMENT WOULD DO IF GOI WOULD BE READY SHORTLY TO SIGN AGREEMENT. U.S. NEGOTIATOR (MEAD/AGRICULTURE) SAID

WE COULD REACH EARLY AGREEMENT ON FOODGRAIN LEVELS ONCE
GOI READY TO SIGN. INDIAN NEGOTIATOR ALSO ASKED WHETHER
INDIA COULD CONVERT COMMERCIAL PURCHASES OF FOODGRAINS
TO PL-480. U.S. RESPONSE WAS DEFINITELY NEGATIVE.
INDIANS ALSO ASKED THAT IF IN THE EVENT INDIA WAS UNABLE
TO EXPORT PL-480 FOODGRAIN ALLOCATIONS BY JUNE 30, COULD
THE AGREEMENT BE EXTENDED TO FY 76. THE U.S. SIDE MADE
NO COMMITMENTS, BUT A HISTORY OF EXTENSIONS WAS NOTED,
AND IF THERE WAS AN EXTENSION IT WOULD INVOLVE THE
EXTENSION OF ALL CONDITIONS AND REQUIREMENTS OF THE
AGREEMENT TO THE NEW FISCAL YEAR.

9. EMBASSY SHOULD BE AWARE THAT RICE HAS NOT BEEN
OFFICIALLY PROPOSED TO INDIANS, BUT INDIANS HAVE BEEN
INFORMALLY ADVISED OF USG THINKING OF 100,000 TONS OF
RICE. QUESTION OF BASMATI RICE EXPORTS RAISED DURING
MEETING AS IT RELATES TO ADDITIONAL FOODGRAIN PROGRAMMING
CONSIDERATIONS DURING FY 75.

10. UNFORTUNATELY, NEW DELHI 2528 NOT RECEIVED IN TIME
FOR USE IN PREPARING FOR MEETING. WE NOW STUDYING WAYS
IMPLEMENT SUGGESTIONS CONTAINED THEREIN. WE ARE NOW
SEEING WHETHER WE CANNOT GO FARTHER TOWARD MEETING
INDIAN CONCERNS EXPRESSED IN MEETING. KISSINGER

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